

Migration to T+1 Settlement

Key areas of focus & FX Considerations

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Key areas of focus

Trading Systems:

- Update trade management systems to adapt to the new T+1 settlement cycle for impacted products in Canada and the US.

Securities Lending:

- Implement necessary changes to process Stock Loan recalls on trade date.
- Automation changes in order to support the communication and processing of recalls late in business day.

ETF Create/Redeem:

- Introduce changes to automate and streamline processes as much as possible to minimize T+1 bookings or adjustments of ETF create/redeem transactions.
- Continued engagement with industry working groups to further streamline processes.

Reconciliations:

- Transition key streetside trade and clearing reconciliations from T+1 to T.
- Migrate existing batch-based reconciliations to real-time.

Account Opening & SSI:

- Streamline account opening processes to reduce the time required for opening new/sub-accounts.
- Ensure the updating and processing of Standard Settlement Instructions (SSI) is as STP as possible.

Trade Allocation, Confirmation/Affirmation:

- Implement technological / process changes to ensure Allocations, Confirmations/Affirmations occur on trade date.

Regulatory Compliance:

- Ensure compliance with regulatory requirements related to the migration to T+1 settlement in both Canada & US.

Communication and Education:

- Communications to further inform and engage stakeholders regarding the migration to T+1 and the associated technological and process changes.

FX Considerations for T+1

Trade Management Systems:

- Review current FX workflows associated with securities transactions impacted by T+1
- Identify potential changes required to maintain alignment between securities trade and FX execution.
- For example, interlisted trading between Canada and the US and ensuring that the CAD/USD FX transactions align with the new T+1 securities settlement cycle.
- Review timing of when these FX transactions are currently being executed in today's T+2 environment to determine required changes for T+1.
 - FX transactions currently linked to individual securities trades and executed on trade date for T+2 settlement will require changes in order to remain aligned.
 - Processes currently utilized for covering FX exposure from the prior day's securities trading relying on batch overnight reporting, will require adjustments to either operate on a T+0/same-day basis or be transitioned to trade date.

Time Zone differences:

- Consider the impact of overseas investors (Europe/Asia) trading in North American markets on the timing of their FX transactions.
- For example, European investors can receive Canadian/US equity executions up to 4pm ET (9pm UK/10pm CET) for T+1 settlement.
- Asia-based investors would receive trade executions early in the morning their time, leaving a small window to execute required FX transactions and provide instructions to their North American counterparts before evening cutoff times.

Changes to Investor FX Behaviour:

- Anticipate an increase in late-day ET time FX requests for T+1/Next day settlement.
- Expect a potential rise in requests for T+0/same-day settling FX from European/Asia-based investors.
- Potential changes are required to investor cutoff times as well as FX settlement processes due to the compressed timelines.
- Recognize the increased need for automation/STP of communication methods for FX orders, confirmation and settlement.

Questions?